

Minutes

Audit & Governance Committee

Venue:	Committee Room - Civic Centre, Doncaster Road, Selby, YO8 9FT
Date:	Wednesday, 23 October 2019
Time:	5.00 pm
Present:	Councillors K Arthur (Chair), N Reader (Vice-Chair), J Chilvers, D Brook, J Duggan, E Jordan and J Mackman
Officers present:	Karen Iveson (Chief Finance Officer (s151), Alison Hartley (Solicitor to the Council), Mark Kirkham (Partner, Mazars LLP), Phil Jeffrey (Audit Manager, Veritau), Jonathan Dodsworth (Counter Fraud Manager, Veritau); and Dawn Drury (Democratic Services Officer)
Others present:	Councillor C Lunn (Lead Executive Member for Finance and Resources), and Daniel Clubb (Senior Fraud Investigator, Veritau)
Public:	0
Press:	0

15 APOLOGIES FOR ABSENCE

The Democratic Services Officer informed the Committee that apologies for absence had been received from Councillor Franks.

16 DISCLOSURES OF INTEREST

There were no disclosures of interest.

17 MINUTES

The Committee considered the minutes of the Audit and Governance Committee meeting held on 30 July 2019.

RESOLVED:

To approve the minutes of the Audit and Governance Committee meeting held on 30 July 2019.

18 CHAIR'S ADDRESS TO THE AUDIT AND GOVERNANCE COMMITTEE

There was no address from the Chair.

The Chair indicated that he would be amending the order of business to allow agenda item number 10, External Annual Audit Letter 2019 to be considered prior to agenda item 9, External Audit Progress Report for continuity; the rest of the business would follow as set out in the agenda.

19 AUDIT ACTION LOG

The Committee reviewed the Audit Action Log. It was noted that the information requested in relation to the Annual Report of the Head of Internal Audit 2018-19 had been circulated to the Committee, and therefore the actions were noted as complete.

RESOLVED:

To note the Audit Action Log.

20 AUDIT AND GOVERNANCE WORK PROGRAMME

The Committee considered the current Audit and Governance Work Programme.

RESOLVED:

To note the Work Programme.

21 LOCAL GOVERNMENT AND SOCIAL CARE OMBUDSMAN ANNUAL REVIEW LETTER 2018-19 (A/19/7)

The Committee received the report, presented by the Solicitor to the Council who explained that the Local Government and Social Care Ombudsman was the final stage for complaints made against Local Authorities. It was explained that appendix A of the report provided a national picture and had been included for information purposes.

The Committee heard that the Council had received 15 complaints in the year 2018/19 with 5 referred back to the Council for a local resolution; of the remaining 10 only 3 cases had been progressed to a detailed investigation by the Ombudsman, of which 2 had been upheld. In response to a query regarding the nature of the 2 upheld complaints, the Solicitor to the Council was unable to give details but stated that she would contact the responsible officer and circulate the information to the Committee.

The Committee was assured that the complaints process was operating

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effectively, however to ensure that lessons were learned, and to improve performance, officers were looking at ways to streamline the complaints service to provide co-ordinated responses.

The Solicitor to the Council confirmed that for future years a summary only of appendix A would be brought before the Committee.

RESOLVED:

- i. **To note the Local Government and Social Care Ombudsman Annual Review Letter.**
- ii. **To ask the Solicitor to the Council to circulate details on the 2 complaints which had been upheld by the Ombudsman to the Committee.**

22 INTERNAL AUDIT, COUNTER FRAUD & INFORMATION GOVERNANCE PROGRESS REPORT 2019-20 (A/19/8)

The Audit Manager, Veritau presented the report which provided an update on progress made in delivering the internal audit work plan for 2019-20, along with an update on the counter fraud and information governance work undertaken to date in 2019-20.

The Audit Manager, Veritau pointed out that eight 2019-20 audits were in progress with three 2018/19 audits at draft report stage and highlighted to the Committee the progress in agreed actions, and the current status and key options for the audits reported previously.

In relation to the counter fraud aspect of the report, the Counter Fraud Manager, Veritau highlighted that 88% of investigations completed had resulted in a successful outcome, achieving £4.8k of cash savings for the Council, and avoiding a £78k 'loss' in respect of a Right to Buy application being cancelled. The Committee were also informed that the Counter Fraud team, in conjunction with the Council's Communications team, had run a cybercrime awareness week, delivering cybercrime awareness information to Council employees, which had proved very successful.

The Audit Manager, Veritau drew the Committee's attention to appendix C of the report which provided an update on Information Governance matters, to include the General Data Protection Regulation (GDPR) action plan along with data breaches.

The Committee were informed that Appendix D of the report was the Internal Audit Charter, in February 2019 CIPFA had published updated guidance on the application of the Public Sector Internal Audit Standards (PSIAS) in local government. To reflect the guidance a number of minor updates to the Internal Audit Charter were proposed and shown within the document as tracked changes, for the Committee's approval.

The Committee queried the purpose of the Information Asset Register (IAR) and Privacy notices, the Chief Finance Officer informed the

Members that the IAR was required by law and documented all the information assets that the Council held, and privacy notices informed customers about what the Council did with personal data.

In relation to a query regarding the security incident, the Chief Finance Officer was unable to confirm the specific nature of the incident, the Audit Manager, Veritau stated that he would contact the responsible officer and circulate the response to the Committee.

Discussion took place regarding how the individual audits were prioritised, and whether the Audit and Governance Committee could have an input; a request was also made that when dates were quoted within the reports they should include both start and completed dates for clarity. The Chief Finance Officer stated that the Committee was consulted on the work programme, which was formulated based on a risk assessment, and that timing was agreed with officers to ensure that the audits were spread over the year, and where appropriate to align with the work of external audit. It was confirmed that an audit status update could be provided with start and end dates.

In relation to the Internal Audit Charter the Committee requested a number of amendments to include:

- page 161, number 5.3, bullet point 1, amend board and senior management to read Leadership Team
- page 162, number 7.2, bullet point 1, amend Cabinet to read Executive
- page 163, number 7.5, the Head of Internal Audit will informally meet in private with members of the Audit and Governance Committee, to read individual members, and again on page 169, number 5
- page 169, number (ix), the word 'be' to be inserted between will and conducted on the penultimate line.

The Committee noted the contents of the report; and approved the revised Internal Audit Charter subject to the amendments above.

RESOLVED:

- i. **To note the progress on delivery of internal audit, counter fraud and information governance work.**
- ii. **To approve the revised Internal Audit Charter subject to the amendments above.**

23 EXTERNAL ANNUAL AUDIT LETTER 2019 (A/19/10)

The Partner, Mazars LLP presented the report and highlighted that the External Annual Audit Letter was a formal report on the outcome of the external audit, and that most of the content in the letter had been presented to the Committee at the previous meeting in July.

The Committee was notified that the outcome of the external audit of the
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Council was positive, and that the Council had positive arrangements in place to ensure value for money.

The Partner, Mazars LLP highlighted that the Council were in a fortunate position due to the annual windfall in business rates income arising from renewables at the Drax power station.

In response to a query relating to which external experts provided the information on valuations for property, plant and equipment, the Chief Finance Officer stated that it was Align Property Partners. It was further confirmed that errors had been identified by Mazars LLP in three areas, however overall assurances were sought and obtained that the property, plant and equipment valuations were not materially misstated.

RESOLVED:

To note the report.

24 EXTERNAL AUDIT PROGRESS REPORT (A/19/9)

The Committee considered the report presented by the Partner, Mazars LLP which provided the Committee with a progress report in relation to the work and responsibilities of the external auditors. It was explained that the external audit for 2018-19 had been completed, and the report set out a summary of the planning work to be undertaken in relation to the 2019-20 external audit.

RESOLVED:

To note the report.

25 ADMITTANCE OF SCARBOROUGH BC TO VERITAU NORTH YORKSHIRE (A/19/11)

The Committee received the report prior to consideration by the Executive. The Chief Finance Officer explained that Veritau North Yorkshire (VNY) had been established in 2012 as a subsidiary of Veritau Limited, which was wholly owned by North Yorkshire County Council and City of York Council. At that time VNY was established with Veritau having 50% shareholding and five North Yorkshire district councils equally shared the remaining 50%, one of which was Scarborough Borough Council.

It was confirmed that in 2014 Scarborough Borough Council opted to leave the shared service and established its own in-house team for audit services. It was explained that as a result of subsequent budget cuts and vacancies the service was no longer sustainable and therefore Scarborough had asked to be re-admitted to Veritau North Yorkshire.

In response to a query regarding any financial impact the Committee was informed that Scarborough Borough Council would be asked to make a capital contribution of £10k, but there would be no financial impact on any of the existing district councils.

The Committee noted that the VNY Board representatives of all four existing district councils were supportive of re-admitting Scarborough Borough Council into VNY, as it would add resilience and further efficiency to the Council's internal audit service.

The Committee were supportive of the proposal.

RESOLVED:

To note the report.

26 PRIVATE SESSION

It was proposed, and seconded, that the Committee sit in private session due to the nature of the business to be transacted.

RESOLVED:

That, in accordance with Section 100(A)(4) of the Local Government Act 1972, in view of the nature of the business to be transacted the meeting be not open to the press and public during discussion of the following items as there will be disclosure of exempt information as described in paragraph 3 of Schedule 12(A) of the Act.

27 CONSIDERATION OF INTERNAL AUDIT REPORTS (A/19/12)

The Audit Manager from the Council's internal auditors Veritau presented the report, which advised that an audit had been completed on 2 October 2019 and the overall opinion was that the controls within the system only provided "Limited Assurance". As such, the findings had been brought to the Committee for presentation and discussion.

A number of questions were asked in relation to the report, the Chief Financial Officer informed the Committee that actions had been agreed to address the issues identified, and further confirmed that many of the actions had already been completed. It was highlighted that the service would be reviewed in 2020-21 in order to ensure that the improvement was as suggested.

The Committee was satisfied that appropriate action was being taken.

RESOLVED:

To note the report.

The meeting closed at 6.18 pm.